

# *Review of* INTERNATIONAL AFFAIRS

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# Review of INTERNATIONAL AFFAIRS

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## Six years of India's independence

The President of Yugoslavia, Josip Broz Tito, has sent the following message of congratulation to the President of the Indian Republic, Dr. Radsendra Prasad:

„With the approaching anniversary of the Republic of India, I have the honour to extend to you, Your Excellency, and through you to the Government and people of India, the sincere congratulation of the people and Government of the Federal People's Republic of Yugoslavia, as well as my own, together with our best wishes for the prosperity of the people of India and for the progress of your country.

„We in Yugoslavia deeply esteem the growing friendship, understanding and cooperation between our two countries, and we believe that the strivings and endeavours of our countries will help to consolidate peace in the world“.

# THE SIXTH ANNIVERSARY OF THE REPUBLIC OF INDIA

Rajeshwar DAYAL  
Ambassador of India to Yugoslavia

JANUARY 26, 1956, marks India's sixth anniversary as a sovereign independent Republic, her freedom having been achieved two years earlier. India's emergence as a free nation after the eclipse of her sovereignty for about two centuries, was part of the vast movement of the resurgence of the peoples of Asia — and now of Africa — which is one of the most far-reaching developments of our times. Since the last war, no less than 600 million people have been liberated from foreign rule, and the movement continues.

India's liberation was unique in that it was peacefully achieved, under the inspiration of Mahatma Gandhi who led vast masses in non-violent revolt against foreign rule. The transfer of power was eventually brought about in a spirit of mutual understanding and goodwill, thanks to the statesmanship of the Indian leaders and the British Government of the day.

The new India inherited immense problems at home, and faced a troubled world abroad. Internally, there was the problem of the integration of the country as the withdrawal of the paramount power left behind over 500 princely states which were legally free to declare themselves independent. There was the problem of the administration of the vast country. The economy was in a parlous state, inflation being rampant, industrial production at a low ebb and agricultural production far below the country's needs. The country was still suffering from the effects of the disastrous famine of 1943 when over 3 millions died of starvation. The railways were completely run down and the industries, which had been overworked during the war, stood badly in need of rehabilitation. To add to all this, the partition of the country brought several vexed problems in its wake, including the relief and resettlement of about 8 million refugees. Abroad, the international picture was gloomy: the cold war had appeared and tension was mounting rapidly in the Far East and elsewhere.

The Government of India, under Prime Minister Jawaharlal Nehru, took vigorous steps to tackle the multiple problems facing the country. All sections of public opinion lent their willing cooperation in the great tasks ahead. The problem of the princely states was settled by their peaceful incorporation within the body politic of India, adding some 90 million inhabitants to the population. The economic problems were dealt with by the launching of the first Five Year Plan, which has just been completed. The spectre of famine, which used to loom over the country, has now vanished, and agriculture has been revitalised by the extensive development of irrigation and by multi-purpose Community Development projects, with the result that food production has substantially outstrip-

ped the natural growth of population. In the industrial sphere, there has been a steady expansion, and numerous new industries — both light and heavy, have been started. From being an exporter of raw materials, India is rapidly becoming an exporter of manufactured and semi-manufactured goods. The transport system is functioning with an efficiency never known before, and there is a considerable programme of expansion. With the rapid completion of a large number of vast hydroelectric projects, the base has been laid for a great expansion of heavy, light and cottage industries envisaged under the second Five Year Plan, now in process of evolution.

India has taken the historic decision, with the unqualified support of all sections of public opinion, to build a socialistic pattern of society. This has given our social and economic policies a firm orientation. The aim is to give all our 370 million citizens the opportunities for a fuller and richer life, with full freedom of opportunity, where there will be no place for privilege and the exploitation of man by man. A peaceful transformation of our ancient society is taking place, and while retaining all that is valuable in our traditions, social reform of far-reaching magnitude is leavening the lives of our people in every town and hamlet through the length and breadth of the country. All this calls for sustained and dedicated effort. The glow of freedom has released new springs of vital energy, which flowing into the main stream, have enriched and given it a new force. Our people today face the future with a confidence born of inner strength.

India's foreign policy, to be correctly understood and appraised, must be viewed in the light of this background. It is a natural and organic growth stemming from factors relating to India's history, her present situation and her future aspirations. All these factors combine to make it an organic whole.

One of the keynotes of India's foreign policy is her firm belief in the principles and practice of peaceful and active co-existence, as the surest guarantee of international peace and security. These five principles of co-existence, or Panch Shila, are not new; they are based on the rock edicts of the Emperor Asoka who flourished some two thousand years ago. Collective Security to be truly lasting, should be based on collective peace, and these principles, if accepted and enforced, would spread the area of peace in the world.

Today, we are on the threshold of the atomic age when the tremendous advances in man's knowledge of the physical world have revolutionised our concepts of the universe. But they have also emphasised the interdependence of man. The vast forces which





*Nehru waves to the people of Belgrade*

are at man's disposal, if wisely used, can lead to undreamt of progress and prosperity. If wrongly used, they can lead to utter destruction and annihilation. We have to face a tremendous choice, and it is of the essence that we should choose wisely and well.

Unfortunately, while man's mastery and knowledge of the physical world has developed by leaps and bounds, his knowledge of himself has lagged behind. While we talk in terms of spiritual values, our actions do not always conform to them. In the world today, peace and tranquillity are constantly threatened by the noisy clash of competing ideologies. There is a crusading spirit in the air and intolerance of views genuinely held by others. History teaches us that Crusades were seldom successful. Despite much suffering and bloodshed, the different creeds and beliefs continue to flourish and to exist side by side. Variety and diversity are of the essence of the world that we live in. There are many facets to the truth, depending upon the angle of view of the observer, and no one can claim a monopoly. If we can all combine to strive together in a spirit of cooperation and harmony, each according to his particular standpoint, then alone can we truly serve the cause of our common humanity that we all profess.

Therefore, one of the cardinal principles of India's foreign policy is that there is no problem however vexed it may appear, which cannot be solved by methods of conciliation and negotiation, and with a little forbearance and patience. It should be clear that in the modern age, war, which would inevitably develop into an atomic war, must be ruled out; for an atomic war will destroy civilisation and all its values which have been patiently built up through the ages. In the common ruin that would face the remnants of humanity at the end of such a war, where would be the ideologies and the varying interests which resort to violence had intended to promote? Mahatma Gandhi's faith in non-violence has greater meaning today than ever before.

This brings me to another of the basic principles which guide our foreign policy, namely that means cannot be divorced from ends. If it is peace that we seek, then we should use the accents of peace. Means must inevitably condition the end, and if peace is clothed in the garb of war, then it is not peace that we shall achieve. From this springs our aversion to blocs of a military nature, and bases and other warlike preparations. The path of peace should not lead to the danger of war, but away from it.

We stand for friendship with all nations, and for enmity with none. We believe that there is much to learn from others, and by friendly cooperation in all fields, can mutual understanding

be built up, and the interests of peace rightly served. Peace is not something inert and passive, but it is positive and dynamic, and its pursuit calls for unceasing effort and sacrifice. Peace is not only good in itself, but it is vital for our development and indeed for the progress of the entire human race.

Because we believe in cooperation with all countries on a basis of friendship and equality, India as a Sovereign Republic continues to be a member of the Commonwealth of Nations, a voluntary association which transcends racial and continental barriers. We equally endeavour to develop friendly relations with the United States and the Latin American countries, as with the Soviet Union and with other West and East European countries. Our geographical situation and the similarity of our recent history and present aspirations, have inevitably linked us in fraternal bonds with the neighbouring countries of Asia. With Africa too, we have special feelings of sympathy because of the struggle of the African peoples for their right to self-determination. We do not believe in continental or racial divisions between peoples, and the fraternal nature of our relations with Yugoslavia shows how close relations can be between nations, far removed in space and with different historical backgrounds and different social and political systems.

We believe firmly in freedom, in the freedom of the individual as of the nation. We believe that domination of man by man is something evil which stunts his growth and prevents him from rising to the highest of which he is capable. We naturally sympathise with all countries struggling to free themselves from foreign domination, and in this we are inspired by our own experience.

Just as the piling up of armaments and weapons of mass destruction is a threat to peace, so also we believe, that the present acute imbalance between the more advanced countries and others disturbs the interests of security and peace. It is no accident that the technically backward countries are precisely those that have been under one form or another of colonial rule. If, as some claim, the imperial powers had a „civilising mission“ to perform, one may legitimately ask why it is that in the newly freed countries, or in those not yet free, economic and social conditions are as deplorable as we find them today. If we accept the view of a common humanity in this one and indivisible world of ours, then one cannot escape the responsibility of helping others, who through no fault of their own have been left behind in the race for material progress, so that they too may be in a position to enrich our common human civilisation.

It was the industrial revolution which enabled certain countries to dominate the countries of Asia and Africa, whose wealth and resources helped further to strengthen the ruling powers. But the atomic age is now opening up before us, and if technically backward countries are not able to share in the benefits of the atomic age, they fear that they may again be left behind in the race for advancement. From this springs their anxiety to ensure that the development of atomic power should be for the benefit of all and not confined to a few. Therefore, they would like the composition of the United Nations International Atomic Energy Agency to be as broadly based as possible, taking into account the interests of all the regions of the world, so that this great new source of energy may be utilised equitably and harmoniously.

At a time when there are no actual military hostilities anywhere in the world, certain countries are described as „neutral or neutralist“. By implication does this mean that others are belligerent? Belligerency, like neutrality, is a condition which exists only in time of war. We do not believe in any kind of war — whether hot or cold — but we believe firmly in peace. In our view, a military grouping of states within alliances and blocs, gives rise to all kinds of fears and suspicions, and creates a war psychosis thereby defeating its declared purpose. Recent examples will bear witness to this view. In the struggle for peace, India is not neutral.

While avoiding all entangling military alliances, we seek the path of friendship and cooperation with all countries. The historic Bandung Conference of the free nations of Asia and Africa was a big step in this direction. In the United Nations and elsewhere we are actively promoting, according to our own lights and judgment, all forms of international cooperation which would lead to greater understanding and harmony in the world. In Korea and Indo-China, we undertook heavy burdens in helping to bring about conditions of peace in those distracted lands at a time when our energies were needed in the great tasks which confront us at home. Wherever we can make our humble contribution to the alleviation of tensions and to the removal of conflict, we shall not shrink our responsibility.

As India enters her sixth year as a Sovereign Independent Republic, she looks back to the years of toil and suffering, of progress and achievement. The great tasks that lie ahead, of building a socialist society of her own pattern, she faces with a quiet confidence and determination. During the coming years, as in the past, she will strive unceasingly to promote social justice and progress at home, and international cooperation and harmony abroad.



# INDIA IN THE CONTEMPORARY WORLD

Djordje JERKOVIĆ

TOGETHER with the gaining of her independence, India, influenced by the prevailing reality and the conditions in which she found herself, decided to become a member of the Commonwealth. But to emphasize her independence as clearly as possible, she, as the first and the only member of that community, proclaimed the republic soon after, a fact which is not without significance in the Commonwealth, in which the British ruler is the chief link between its members. These acts of independent India, made in the first days of her existence, were the expressions of two fundamental elements of the policy which she has been since pursuing to the benefit of her national interests and to the advantage of the general cause of humanity. Following so combined a policy, which was being increasingly harmonized with internal endeavours to consolidate the country through its thorough and progressive transformation, India has, in this brief period of three quarters of a decade, solved many problems, overcome formidable difficulties and achieved successes of great importance for her development and future, as well as for the development and future of Afro-Asian, and even world politics. After a brief space of time, this great country, with 400 million people, led by Mr. Nehru, a capable statesman, developed - thanks to its progressive internal processes and tireless and independent actions in the international field - from a feudal and economically backward colonial region into a great and esteemed world power, into one of the initiators of progress in Asia and Africa.

Following her independent policy, India, in the course of the cold war, appeared on the international stage as a great force, which attracted other countries of Asia and Africa, animated people and acted, in that tense period, as a factor of conciliation, against antagonism, against the division of the world on blocs. Developing her actions for the expansion of the zone of peace and then, more actively, for the policy of peaceful coexistence, this great country, cooperating with a number of other states from its own part of the world, played in those dangerous days a role

which has not perhaps been correctly assessed, just as it would be difficult to assess correctly today the value of its independent Afro-Asian policy for the cause of conciliation and peace in the present day world which is still torn by bloc relations, contradictions, the armament race and threats to start a destructive atomic war. Refusing to join either one of the sides that faced one another threateningly during the cold war and exerting at the same time extensive efforts to extend and widen the zone of peace and active coexistence, India, pursuing her independent policy, proved in those critical years to be — in spite of her relative economic and military weakness — a very formidable obstruction to all aggressive tendencies and plans, because it isolated them in the Afro-Asian world, and because she clearly proclaimed her opposition to aggressive undertakings and her readiness to fight them no matter from what side they might come. This policy could not but lead finally to the isolation of the aggressive policy generally. It proved to be a factor which greatly influenced the world developments towards conciliation and the reduction of tension instead of transforming the cold war into a „hot“ war.

However, the predominance of cold war politics in the chief regions of the world greatly obstructed this policy which, due to its relatively weak economic and military backing, had to act mostly through various forms of passive opposition to join the blocs, through efforts to repulse and push away from itself and the Afro-Asian region the danger of a „hot“ war — in brief, through forms which gave people the impression that a policy was developing in that part of the world which was neutralist and passive in character and disinterested in the fate of the wider world. When, however, India and that part of the world achieved a certain degree of internal consolidation, and when the cold war gave way to conciliation in the rest of the world, a favourable climate was created in which the independence policy of that region was in full swing, assuming new forms of active action and displaying direct interest in the problems of the Afro-Asian world as well as in the problems of the wider international community whose fate — as the peoples of Asia and Africa are aware — must be shared by all, regardless of the differences and distances between them. In this phase of development India approached even more resolutely her internal transformation, developing at the same time a still more definite Afro-Asian independent policy towards the problems of that region as well as a correct policy towards the relations of that region with the rest of the world and towards wider world problems.

In the internal field India has, on the eve of the sixth anniversary of her Republic, announced her second five year plan, a step which will begin her internal transformation towards the final aim — the development of the country on socialist foundations suitable to the specific conditions prevailing in the land. In this process of the country's all round transformation, India now approaches a great undertaking — the solution of its national problem, by which she would remove one of the greatest obstacles to the creation of a stable community of nations. At present, India is a union of 27 states which do not correspond to the national and language structure of the country, but which are the creations of the feudal relations that gave rise to the division of the land, a division which has been consolidated and complicated by the colonial administration during its two centuries of existence, so that a radical reorganization of the states has been an acute problem and a great need of the country ever since it became independent. Individual national and language groups are now divided in more than one state, and there are states which include considerable minorities of other national and language groups, so that considerable difficulties are encountered in the administration of states and in their cultural and educational policies, causing, on the other hand, undesirable feelings and relations between them. Shortly said, India as a multi-national state has been facing the



Premier Nehru in the Yugoslav Parliament



solution of her national problem, and the Nehru government has now approached the administrative reorganization of the country, after which the union will have, not 27, but only 16 states which will correspond to the country's national and language structure.

Throughout a greater part of the history of independent India the Afro-Asian region was the chief area of her political action and interest. But this was by no means the exclusive area of her interest, as her policy was constantly being felt also, though perhaps not so strongly, on the wider international stage at that time. To speed up the process of the awakening and emancipation of the peoples of Asia and Africa, to bring the peoples and countries of the two continents closer together and to make them active in the struggle for peace, progress and coexistence was the chief aim of the Indian policy of that time. In view of this, the Bandung Conference held in the spring of 1955 marked, in a sense, the end of one and the beginning of a new period in India's policy. The formation of the Colombo group — India, Burma, Indonesia, Pakistan, and Ceylon — the establishing of corresponding relations with the People's Republic of China and other countries, and the efforts not to allow the policy of blocs and the cold war to spread over their common area, were the elements of a well devised policy which brought the Asian and African countries to Bandung, to a conference which proved to be a far-reaching event of historical importance, the positive influence of which goes beyond the boundaries of the two continents and so affects the course of developments in the world in harmony with the policy and programme adopted in Bandung and with the principles of the United Nations Charter.

Bandung, obviously, was not the initiation or the beginning of the Indian or, generally, Afro-Asian action on the wider international stage. But it can be considered today that, after the achievement represented by the first general Afro-Asian Conference, India and the Afro-Asian world found it easier to have their policy penetrate much deeper into the world, because they then discovered new forces and possibilities. On the other hand, it is evident that, regardless of the objective intentions of the initiators of Bandung, that conference was for India and the Asian and African countries in general their first great step in world politics, in which they are and should be interested as much as the countries of the rest of the world are interested in the problems and matters of the Afro-Asian world. Having exerted and continuing to exert a favourable influence on the development of the Afro-Asian views on the problems of the world as well as on the policy of blocs, Bandung has already made a great contribution to the revision of the policy of the East and the West towards the problems and events in Asia and Africa and, accordingly, also towards the problems in inter-bloc relations. With this, the process of conciliation has been speeded up and the policy of blocs forced to withdraw and blunt its sharpness so that the way is now clear for a more effective action of the policy of independence and active coexistence which is being increasingly taken as a concrete programme by the peoples and nations of Asia and Africa.

It is difficult to assess India's role and her contribution to this development before and after Bandung, but we can say first that in the period under consideration she was among the leading forces in this movement, and, secondly that, acting even before Bandung in the spirit of the policy proclaimed at that conference, and adhering to it afterwards, she has considerably expanded the radius of her action, appearing in the United Nations and outside it as a moral and political factor without which no one starts the consideration, to say nothing of the solving, of the problems in which the voice of the Asian and African world or of its individual countries had no sway earlier.

In the last few years there were few international meetings and conferences on great outstanding problems at which the views of India were not sought, either outside or inside conference halls. This is particularly true of the first Geneva conference, at which the agreement on Indo-China was reached. On such and similar occasions India appeared in various phases of international deliberations as a mediator, placing at the disposal of the interested parties the services of its good offices which often proved to be useful owing to the strong moral position of her independent policy and to her wide influence. The example of India's mediation in Sino-American relations in various phases of their development is not the only one of its kind, and, thanks to this and to its favourable geographic position and greatness, India has become almost an irreplaceable member and president of various international control commissions, organs and bodies, which again extends her possibilities to undertake constructive action.

We can now say that the United Nations has been the forum through which India's independent and Afro-Asian policy developed its world action and fought its chief battles. But this is

due to understandable reasons. Not being backed by any exceptional economic and military force, a force which in the present day world still often adds weight to political arguments, India's national and Afro-Asian policy rightly considered that the United Nations was the only organization in which and through which it could start effective battles for the aims it strives for, even if it were not backed up by any substantial economic and military force that could be compared with the blocs and the great powers. In the United Nations, where matters develop — not always but often — under the influence of world public opinion, the principles of the Charter and the moral and political support, votes, the arguments of justice, reason and a responsible policy have a much greater weight than outside it, i. e. in secret diplomacy. Therefore, Indian and Afro-Asian policy, feeling that this was on their side, sought to develop their action in the United Nations, which led to the affirmation of the Organization as a regulator of international relations, as well as to the still greater reputation of the role and influence of the Afro-Asian world which, until recently, was represented in the Organization by only 20 countries, and which, now that 16 new members have been admitted, may in the future have a decisive number of votes — over one half.

If we take that the problems of disarmaments, atomic energy, assistance to underdeveloped countries, colonialism and the like are the chief problems that have in various forms been discussed in the United Nations in the last few years, then we may say that India's activity and role in the United Nations has been enviable because no aspect of these problems has been considered without her active participation.

What is more, India has made her own suggestions and given her own views on almost all these problems, views which are in harmony with her peaceful and progressive endeavours as well as with the present day reality. Opposing the armament race and the policy of blocs, India has not remained satisfied with the proclamations of general principles; she sought, and found, various formulas for temporary and realistic solutions which are a step towards an agreement on general disarmament. Proclaiming opposition to the use of atomic energy for military aims, India's policy has put forward the demand for a cessation of atomic bomb experiments and for exchanges of experience in nuclear research. For all this, she has received a general acknowledgement through the fact that her representative, Datta, presided even the first world atomic energy conference in Geneva in 1955. In the endeavours to organize, through the United Nations, a programme of assistance to underdeveloped areas and to fight colonialism, India's policy was likewise moderate and in accord with the needs and rights of the colonial and underdeveloped peoples and with the general interest of peace. All in all, the United Nations as an instrument of peace and international justice and as a factor of equilibrium in the world has increased its prestige and effectiveness and stability through the active work of Indian and Afro-Asian policy in its forums and this in turn increased the significance of the policy of the Asian and African countries in international relations.

Yugoslavia can understand and assess, better than any other country, the development and the role of India and the Afro-Asian countries in the world, because she herself has for many years been exerting efforts for the same aims, both in the United Nations and outside it, so that she and the Afro-Asian countries have often undertaken joint actions for the benefit of peace and conciliation in the world. Apart from this, the people of Yugoslavia grasped, at the very beginning, the value and the contribution of Afro-Asian and Indian policy to the cause of peace and, particularly, to the affirmation of the policy of active coexistence between nations, races and continents regardless of any differences. Our country took the appearance of stable and independent India on the world stage to be a reinforcement of the forces which fight for peace, progress and cooperation among people, and it is not accidental that our two countries are linked by ties of sincere friendship, understanding and respect. As European and an independent socialist country, Yugoslavia is in a position to interpret for Europe the strivings of the Afro-Asian world, as well as to represent in that region the just and correct interests of the European peoples and policy as it happened during President Tito's historic visits to India and Burma, and now to Egypt and Ethiopia, the basic aim of which was: cooperation and progress of all in creative coexistence. On the road to this aim our first meeting was with India, and there is no reason why we should not go on broadening and improving in the future the relations which, in this short period, proved to be so fruitful for our two countries, and which contributed so much to the cause of conciliation and understanding between the peoples of the world, particularly between the peoples of the Afro-Asian world and Europe.



# THE UNITED NATIONS AND REGIONAL COOPERATION

Dr. Milan BARTOŠ

Professor of Belgrade University

At first sight regionalism seems contrary to the principle of universality on which the United Nations are based. In point of fact these two principles are not incompatible. States join the United Nations on a voluntary basis as general organisation. They are also entitled to associate mutually regional pacts which are recognized by the Charter as in accordance with its general aims. On the one hand there are the general principles and general conceptions which are common to all states and the entire international community. On the other hand, there is also the possibility to implement international cooperation means of the regional association of certain states. The Charter does not explicitly foresee the scope of regional arrangements or narrower regional agencies and is limited to the constataction that „Nothing in the present Charter precludes the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action, provided that such arrangements of agencies and their activities are consistent with the Purposes and Principles of the United Nations“ (Art 52, Paragraph 1 of the Charter).

This Charter provision leads to the following conclusions: a) that the Charter in general counts with the creation of regional arrangements within the UN or, to be more precise, between the member countries, of pacts and international bodies for all fields of regional cooperation, provided the latter is not contrary to the UN objectives and principles; b) that these regional arrangements and regional international bodies may exist and function either cooperating or not cooperating with the United Nations in fields of international cooperation if and as long as they are not contrary to the United Nations objectives and principles; c) that the Charter places one type of regional arrangements and agencies in a special group, these being the regional pacts and international regional organizations which, according to their statute practice, are engaged in the preservation of international peace and security.

The Charter requires the countries belonging to such arrangements and the international organizations of this kind to maintain permanent relations with the Security Council or to be more precise, to accept supervision by the Security Council. This cooperation with and control by the Security Council is manifested in two ways. On the one hand the regional organizations can be assigned special tasks and be used by the Security Council when it is expedient for the negotiation of international disputes or enforcement of certain regional actions, particularly if this is in the interest of peace and security. Consequently the United Nations members, entering into regional arrangements or creating an international regional agency should strive to settle their local disputes in a peaceful manner, using regional arrangements or international regional bodies before referring these disputes to the Security Council. According to the Charter the Security Council should encourage the peaceful settlement of local disputes by means of regional agreements and agencies either on the initiative of the countries concerned, or the recommendation of the Security Council or to resort to the regional agencies.

It is entirely understandable that the United States took the initiative for the introduction of these provisions into the Charter.

Just as Woodrow Wilson in drafting the League of Nations Covenant demanded that a clause be inserted in the latter according to which the Monroe Doctrine, which is essentially a proclamation of American regionalism, coincides with the League of Nations Covenant, thus on a higher level, the US Government requested, when the United Nations Charter was being drafted in Dumbarton Oaks and San Francisco that the possibility of regional association and regional action be entered into the Charter as a general provision. This clearly implies that the countries within regional pacts are also entitled to their local disputes, i.e. disputes in their area which do not concern third states or the world public opinion at large. However although adopted by the authors of the Charter, this idea did not imply that the countries belonging to regional pacts are obliged to resolve international disputes within an exclusively regional framework. Countries which remained outside regional pacts demanded that the Security Council in discharging its function of guardian of international peace and security should be entitled to intervene in every dispute and guarantee the right of all member countries regardless of their affiliation with regional organizations to refer all disputes to the Security Council. It was therefore decided that the Charter provisions which refer to regional arrangements do not in the least impede direct application to the Security Council either by the countries concerned themselves or other UN member countries, and even third countries in so far as they consider the dispute or situation in question as a threat to international peace and security according to the principle of indivisibility of peace. In this way the only alternative open to the countries which do not belong to regional arrangements is to apply directly and exclusively to the Security Council for every dispute or situation, while countries belonging to such agencies even if bound to apply to the regional organisation in case of dispute, have both the Security Council and their regional organization at their disposal. The third countries concerned by the situation in individual countries, even if they do not belong to regional pacts, are always in a position to warn the Security Council of the controversial situations arisen and brand them as dangerous for international peace and order. Some statesmen consider this a double guarantee enjoyed by states belonging to regional arrangements. On the contrary others consider such a solution only as a rule to permit the voluntary grouping of countries in regional arrangements while recommending them to refrain from submitting local disputes to the United Nations, if the latter can be settled within the framework of the arrangements, and demanding however that the UN Charter also guarantee to these states the right of direct application to the United Nations. It is the duty of the United Nations to intervene in such cases regardless of regional arrangements and mobilize the Security Council if necessary.

The opinion prevails today that this second conception is more correct. A country loses nothing by joining a regional pact with regard to the right to general protection and resort to the general competence of the Security Council. The existence of regional arrangements nor the eventual obligation of individual countries to submit to the United Nations does not in any way impede the Security Council in the enforcement of its functions.



In spite of the foregoing, however, the Security Council is free to decide whether it will invoke these arrangements and, when dealing with cases it considers of local character, make use of these regional arrangements and agencies in the enforcement of the necessary measures. Consequently, the Security Council can but must not necessarily use such regional arrangements as intermediaries in such cases.

According to the Charter the fact that some bodies are invested with the right to implement measures aiming at the achievement of regional objectives represents a specific characteristic of regionalism, but the enforcement of all such steps is conditioned by the provision that the decision reached cannot be carried out without the previous agreement, i. e. approval of the Security Council. Therefore, regional arrangements and regional international organizations are suitable for the implementation of international action aiming at the preservation of peace and security; they are entitled to deliberate on the enforcement of such action, but are not entitled to take action without the consent of the Security Council. Thus a compromise was made between the concepts of localism and universalism. The regional bodies are entitled to make decisions, but in view of the fact that according to the principle of the indivisibility of peace any threat to peace represents a situation which may affect international relations, all such decisions are subject to the universal control of the Security Council. This actually means that no big power was recognized superior in regional spheres nor was it given the possibility of pursuing its policy through the respective regional apparatus without the consent of the other big powers which are eventually not represented in the regional agency or which are invested with the right of veto in the Security Council. This lays additional stress on the fact that the Security Council, hence also the big powers, are primarily responsible for world peace.

An exception was made however only with regard to those countries which fought against the allies in World War II. The regional agencies are entitled also without the approval of the Security Council to authorize their organs to enforce measures against the former enemy countries in case of resurgence of aggressive tendencies in the latter.

The United Nations do not bear any responsibility whatever for such measures but only the Governments which enforce them in the capacity of regional organisms. This concession was made to the big powers belonging to the United Nations camp in order to give them a free hand for rapid intervention in case Germany and Japan should revert to their former aggressive policy. One may wonder however whether such measures will remain in force when these countries are admitted to the United Nations. For the time being however this problem is purely theoretical.

In this way regionalism is conceived as a kind of support to the United Nations organs in the achievement of the United Nations objectives and principles. Regional agencies are not decentralized organizations of the Security Council, the Security Council is their superior organ. Apart from the fact that these organizations cannot bring various measures without the permission of the Security Council, the latter is entitled to demand full information at any time on the actions of regional organizations or international regional bodies, both in case such measures are already being implemented or contemplated in the interest of safeguarding world peace and security. Therefore the Security Council cannot only refuse to give its permission for the enforcement of such measures, but can also prevent their implementation.

It clearly ensues from the foregoing that the authors of the Charter wished to prevent the eventual conversion of regional arrangements into a source of power which might jeopardize peace. On the other hand, every other activity of the regional arrangements and organisms which does not involve the preservation of peace and security has not been regulated in detail by the Charter. In other words, as long as these activities do not concern world peace and security, but refer to some other sphere, they remain within the framework of the relations of the countries embraced by regional pacts and are exempt from organized United Nations control. This does not imply that such activities have nothing to do with the UN, but it is no less a fact that only the General Assembly is entitled to discuss and make recommendations on these matters. The General Assembly is entitled to do so according to its general powers as laid down by Art. 10 of the Charter which provides that the General Assembly may discuss any questions or any matters within the scope of the present Charter or relating to the powers and functions of any organs provided for in the present Charter, and, except as provided in Article 12, may make recommendations to the Members of the United Nations or to the Security Council or to both on any such questions or matters.

This means that all such problems may be discussed in the General Assembly, there being no international affairs which are alien to UN aims as the latter cover all fields of international cooperation.

In practice the Pan American Union is one of the principal regional pacts recognized by the United Nations General Assembly. The Secretary General of the Pan American Union has received the general invitation to attend the sessions of the UN General Assembly. His status in the Assembly has not been defined precisely. He has no initiative. It is also a question whether he is entitled to take part in the discussion. Today his role is virtually reduced to that of an observer who only addresses the Assembly once during each session with an appropriate speech, which however does not preclude the possibility of calling the attention of the Assembly to certain matters. The Pan American Union maintains somewhat closer links with the Economic and Social Council, but here also collaboration is more of an informal and advisory character. In point of fact the share of the Pan American Union in the work of the United Nations is limited to the paying of tribute and recognition of the prestige of this regional organization.

The creation of the NATO gave rise to a special problem in the sphere of regional organization. The founders of NATO defend its existence as a regional arrangement. However, it is a question whether this is a regional pact in view of its geographical span. Until recently this issue was still further complicated by the fact that Italy, who was not a UN member, also belonged to this arrangement. Now that this objection has been eliminated, the problem is rather theoretical than practical, as the United Nations never officially nor unofficially recognized nor refused to recognize the regional character of NATO. The Western bloc always affirmed that this is a regional arrangement while the Soviet Union and the countries of Eastern Europe contended that this is not a regional arrangement even in the geographical sense of the word, and that it is contrary to all intents and purposes to the aims of the United Nations. The problem was not resolved nor did the decision of the competent UN organ to cooperate with this pact lead any nearer to its settlement.

The regional character of the Arab League was recognized in a resolution of the General Assembly and it was invited to take part in the work of the General Assembly through its Secretary General. The status of the latter is identical to that of the representative of the Pan American Union. In this case as well considerations of prestige and honour prevailed over those of substance.

The Balkan Alliance was likewise registered with the United Nations, but the use of this regional arrangement was not manifested before the United Nations.

In point of fact the question of regional arrangements arose before the Security Council only on one occasion so far. During the discussion on the case of aggression against Guatemala the argument was advanced on the American side that the Security Council should abandon the settlement of this situation to the Pan American Union as a regional arrangement. The rapid about-turn in Guatemala and the contrasting attitudes of the big powers prevented the passing of any resolution whatever in this matter. Thus far the Security Council did not control the decisions of the regional pacts at all, nor were these decisions carried out in practice in any way whatever.

Although one cannot speak of actual cooperation between the United Nations and regional arrangements, it must nevertheless be noted that the setting up of regional agencies is in the spirit of the Charter and therefore does not require any previous permission by any United Nations body, the agreement of the state belonging to such a regional organization or which are creating their joint regional agency being sufficient. When eventually investigating the existence of such a body the Security Council would only be entitled to examine whether such a body is in accordance with the aims and principles of the UN, and if so the Security Council would have to recognize every such agency as "fait accompli".

The principle under which the regional bodies are required to notify the Security Council of their actions was not applied in practice however. In the first place the Security Council never asked for such information, nor was such information proffered by the regional bodies of their own initiative. This is practically explained by the fact that the regional bodies never formulated conclusions or discussed the implementation of such measures, the enforcement of which would require the approval of the Security Council, or entitle the latter to ask for the relevant information.



The final conclusion in this respect is that the setting up of regional bodies is a matter of the states concerned. The countries may, but are not obliged to profit by the opportunity of associating in this manner. By so doing they are not exempt from their obligations ensuing from the Charter nor are they deprived of the right of direct application to and protection by the Security Council. However the possibility of creating regional arrangements has still not resulted in the obligation of establishing such orga-

nizations, or to divide the world into regions which would each have its own organization. The Bandung Conference of the Afro-Asian countries best testifies to the existence of regional initiative. The United Nations do not impede such initiative in any way whatever nor did they profit by their right to control the latter. On the contrary, regional bodies are developing and operate out of the United Nations as separate political organizations.

## TWO GERMAN ARMIES

Jurij GUSTINČIČ

THE reasons why the Western public opinion consented to the establishment of the new West German army were twofold. On the one hand the need for West German rearmament became obvious during the climax of the cold war and also enhanced the conviction that the defence of this country would have been impossible without indigenous forces. The second reason is a consequence of the first, the following reasoning having been adopted: if it is already necessary to create such an army, then it is best to establish it while a large part of Germany is still under Western control. Although the future army will be large it will be modelled along the same lines as that of its new Western allies. It will also form an integral part of a broader military combination and be placed under a joint command. Briefly, it will take part in the implementation of objectives which (or so it was believed at least) are common to all Western countries. In point of fact this military combination is the result of American political conceptions, so that West German rearmament was actually foisted upon Europe.

As for the rearmament of Western Germany particularly from the standpoint of public opinion in neighbouring countries, the principal problem lay in providing the necessary guarantees against the acquisition of too great an independence by the German armed forces. The actual numerical strength of the army contemplated in this light seemed less important, primarily because everyone seems to be willing to agree to larger German armed forces in view of their own inadequate military strength, and second, because it was agreed that the German military forces will not receive nuclear weapons, without which no country can be considered a big power today. The West is aware that the future twelve West German divisions will, in view of their composition and modern equipment (with the exception of atomic weapons) be stronger than the forces of all the other West European countries together. It was considered, however, that as long as they do not become fully independent, i. e. begin to serve the German national interests, and as long as they are devoid of the „supreme armaments“ and remain under a joint command they cannot represent a threat to the West.

The question which arose of late is whether the necessary guarantees exist which will prevent such a military force from gradually acquiring independence, regardless of the foreign policy Bonn may pursue in the future. Symptoms of new trends can already be discerned in this policy, however. This atmosphere is not manifested for the time being in any exaggerated amiability towards the Soviet Union, but the unusual ideological concessions shown by Vice Chancellor Blücher toward Nehru's ideas of coexistence and the vigorous adjustment of Bonn to the situation in Asia and Africa, testify to the *new vistas* in the foreign policy of a government which was blind until recently to everything except the common Western objectives. The new orientation towards Asia could easily be followed after several years, — allowing for the firmation of the West German international positions — by a new eastern policy which would otherwise be in danger of reverting to its old forms and aims.

This gradual extension of foreign political activity, this increase of political and economic flexibility is developing at a time when the future complexion of the West German army is still far from clear.

The revolt of von Bonin who rose against the *atlantisation* of the army and in favour of *national tradition*, is extremely interesting, although the influence of von Bonin himself should not be overestimated. This revolt is inspired by two seemingly contradictory tendencies: on the one hand von Bonin is in favour of reverting to the old German military tradition, while championing political neutralism, i. e. a flexible policy enabling the adjustment of Germany to the era of coexistence, which primarily implies a policy of negotiation with the Soviet Union, on the other.

Although the revolt of von Bonin was isolated, it is impossible to ignore the fact that the fresh breeze which blows in the field of German foreign policy infuses such conceptions with new life and vigour.

Needless to say, extensive measures have been taken and a whole series of guarantees proposed to ensure that the army will remain under civilian control. The seriousness with which the parliamentarians approached this task should particularly be stressed. However, owing to the inevitable logic in the development of every country a more flexible foreign policy makes it necessary for the country concerned to rely to an ever greater extent on its national army. According to present estimates the West German army with its twelve divisions will be stronger than the allied forces in Germany. When it is finally established in a few years' time, it will not only dispose with the most up to date equipment but will also be in a position to *replace* the present allied forces. This will be a trump card which may easily be used by diplomacy. At the time the replacement takes place it will be easier to hold German-Soviet negotiations. It is queer but true: under the present conditions marked by sharp antagonisms, the creation of an army gives the country the final element of independence which will enable it to pursue its foreign policy in a new manner.

But this is only one part of the truth, however. The second part lies in the fact that henceforward Eastern Germany which is not yet recognized by a majority of countries will also be able to play this card. It will also have its army. This army is not and will perhaps never be independent, but it provides that confirmation of independence which purely political and ideological factors were unable to give.

There are now two prospects of further development: these two German states will soon have substantial military resources at their disposal and will be in a position, while relying on their army, to attempt the pursuit of a broadly conceived policy and the achievement of a gradual rapprochement at a time of international relaxation. On the other hand these two countries can, after the failure of the Geneva conference, widen the rift still further, increase mutual antagonisms and, by relying on their military power, create a potential source of conflict in the heart of Europe. Even if they actually never come to actual conflict, the ever present



danger would deeply contaminate the international atmosphere and political development on our continent. It should therefore be borne in mind that the legalization of the two armies marks the beginning of a new era, and that a different, far broader outlook on the German problem is therefore necessary.

If the problem of German unity is to be resolved within the framework of a security system, (if nothing else was achieved in Geneva, at least agreement on the need for organized security was reached) then the plans made so far seem inadequate. The proposals of the West are too narrow as the intricacy and the complexity of the problem, complicated still further at present by

the existence of an East German army, can no longer be ignored. The proposals of the East, on the other hand, have laid excessive stress on this division, and consequently tend to make it permanent. Any new proposal on security with reference to Germany, however, will have to take into account the fact that military bands are now legally playing with equal gusto both in Cologne and Leipzig.

It would really be the pure irony of fate if, owing to ideological and political disagreements and extremist tendencies of bloc policy, the generals of both German armies, who belong to the same tradition and school, were allowed to seek some kind of „third“ solution.

## NEW PERSPECTIVES OF EUROPEAN INTEGRATION

J. ŽIVIC

THE meeting in Paris of Monnet's Acting Committee for the United Nations of Europe marks a phase in which the ideas of West-European integration and attempts in search of new paths are being revived, together with the rallying of influential personalities around a common minimal programme. The composition of the Committee itself, consisting of prominent political and trade union leaders of socialist and Christian conceptions - Guy Mollet, Olenhauer, Fanfani and others - shows that the founders' intention was to turn the Committee into a representative body which could both arouse the interest of the European public opinion - with which the problems of integration had lately been pushed into the background and bring pressure to bear on the Governments, asking them to devote greater attention to the realization of the new plans of integration. Namely, after last year's meeting in Messina of the Foreign Ministers of the member-states of the Coal and Steel Community, these had been left to various groups of experts for detailed study and formulation of recommendations. But it should be stressed, at the same time that this initiative for a fresh stimulation in the direction of economic integration remained in the framework of the six member-countries of the Coal and Steel Community, which shows that the protagonists essentially remain on the old positions of Little Europe conceptions as the source and nucleus of the expansion and orientation of the European unification process.

However, contrasted with the previous conception of methods and trends of integration, there appear some new factors which are characteristic for current efforts to draw the European idea out of the blind alley where it has been misled by just those elements that demanded its realization exclusively on the plane of supra-national institutions and in the narrow geographic frames of a continental group of West European states. What should be specially pointed out in this connection is a stronger accentuation of the economic side of the process of integration while military and political aspects, after previous experience, are left aside for the time being, for what has been achieved within the North Atlantic Treaty Organization is enough.

But in the field of economic integration, a new orientation has been noted in the sense of abandonment of the conception of gradual integration from sector to sector by way of creating specialized institutions with supra-national authorizations - the earlier projects for the setting up of communities for transport and agriculture having been abandoned and the problems referring to agriculture transferred to OECE while an international organ for cooperation and coordination was founded to deal with transport questions. The conclusions reached in Messina clearly illustrate this tendency. True, they provide for the creation of a joint organization for the development of atomic energy and its use for peaceful pur-

poses, but there is no indication that this was to be a supra-national body. As regards principles and methods for the creation of a common European market which remains the basic aim of the policy of integration, the conclusions only outline the questions which should be studied more closely with a view to creating gradually such a market as would not be restricted by any customs and quantitative limitations, which is the old leit motiv of integration projects. These questions include: the procedure and rhythm of progressive removal of various limitations in the exchanges between participating countries, as well as measures for the unification of the customs regime in relation to third countries (so that this so-called European market could be practically limited to a certain number of states, which means establishment of new customs barriers in relation to those European states which would stand aloof); the method of harmonizing general policy on the financial economic, social and monetary planes (a problem which has already cropped up in the so far integrated sections for coal and steel); the system of protective measures; setting up of the reconstruction fund; free exchange of manpower (which Italy especially demands); establishment of free competition on the market with exclusion of national discrimination, as well as the question of institutional forms which would ensure the functioning of the common market. A special European investment fund would be set up with the task of helping the development of the more backward areas of the member-countries. As regards special measures which would ensure the expansion of commercial exchanges and free intercourse, it would be necessary to draw up common plans for the creation of a European network of canals, motor highways, electrified lines introduce a more efficient coordination of air traffic services. Besides this, the Messina conclusions provide for cooperation in the development of electric energy as well as for increased profitability of the gas and electric supplies, but not on the lines of extending the competence of the Coal and Steel Community to include these sources of energy as its protagonists have demanded. It is also characteristic that the Messina meeting did not adopt the proposals of the Benelux countries as far as they envisaged, as a method for the realization of the above-mentioned objectives, solutions modelled on the structure of the Coal and Steel Community, that is the setting up of similar institutions. The conceptions of the Germans and French prevailed, namely that rigid institutional forms should be avoided and that efforts should be made for establishing functional cooperation which shall not be a curtailment of national sovereignty. The Bonn Government emphasized, in its special memorandum the GATT and OECE principles and advocated the policy of removing all limitations to free circulation of goods, capital and manpower between member-states of the European Community which is in keeping with its general economic



policy aimed at creating such a marketing regime as would ensure favourable exchange conditions.

Certainly, the most significant element of the efforts made currently to ensure the continuation of the policy of integration consists in the project to create possibilities, with the use of joint means, for the utilization of atomic energy for peaceful purposes. During the Franco-German negotiations in April last year, the question of the joint production and use of atomic energy was linked with the unification of Europe, and prospects of the efforts for European unity were noted, provided they were placed on an atomic basis. Experts were asked in Messina to make a detailed examination of the question of setting up a joint fund for financing the erection of necessary plants and for research, as well as for studying the possibilities and conditions of access to raw materials for the atomic industry, for free exchange of experience, information and skilled personnel. Monnet's cabinet did not wait to see the results of the work of experts who were to examine the whole complex of problems in Brussels, under Spaak's chairmanship, but proposed at its first meeting the principles of an atomic pool, considering that an action on this plane would be essential for the realization of the European idea. This conception was expressed in the resolution which the Committee adopted and which indicates the advantages offered the new industrial revolution by the peaceful development of atomic energy.

The Committee was faced with three problems which called for definite attitudes: the modes of organization of control over production of atomic energy, the character of the body which would represent the atomic pool on an international basis and the method of cooperation and relationship with states outside the pool. Starting from the need for associating all the necessary elements — raw materials, financial means, plants and scientists — in order to secure atomic energy for industrial purposes, the Committee took the view that the best method for ensuring an exclusively peaceful use of nuclear energy, as well as the safety of the population and labour, would be to see that all nuclear raw materials and fuels which are produced in or imported to the pool member-countries should be the property of the special European Commission for atomic energy. Thus a certain compromise proposal was found between the demands of the socialists to the effect that the whole atomic industry should be in the possession of the above-mentioned Commission, and the wish of the liberals that private capital should be given wide possibilities for securing ownership rights in the new industrial sphere. Besides this, in order to ensure effective control of atomic energy production, the competence of the planned commission would also include issuance of permits for the erection and operation of atomic plants. As regards the structure of the atomic pool organs, the project of the Committee reflects the model of the Coal and Steel Community. Although the supra-national character of the Atomic Commission is not expressly mentioned, one can still conclude from the scope and extent of the authorization that what would actually be involved is an organ of the supra-national type. Moreover, it is envisaged that the Assembly and Court of the Community would be directly engaged, they would exercise parliamentary and legal control over the work of the Ato-

mic Commission. To this would be added a ministerial committee for harmonizing the policy of the Commission with the governments participating in the pool, and an advisory body comprising representatives of workers, consumers and tradesmen, which would provide an identical organizational scheme of the Community. In order to provide a possibility, in principle, for the expansion of the atomic pool membership beyond the framework of the six countries of Little Europe, the door would be left open for every European country either to join the organization or to sign special arrangements with the Commission about the forms of cooperation. It would be desirable in the opinion of the Committee to ensure the joining of Great Britain, or at least its close cooperation with the pool Commission. In the event of the realization of atomic integration, a special problem will be to harmonize the relations with the existing institutions for cooperation and nuclear research, and ensure the compatibility of the existing agreed obligations of states which would join the pool with third countries in the atomic sphere.

However, the activity of the Committee is not only confined to the drawing up of projects. Its members are to submit their proposals to the parliaments of the six countries for adoption. This time the method used differs from those used during previous integration plans, when experience with the EDC could be turned to account. What is required first of all is parliamentary sanction to be followed by inter-Government negotiations. Although the Committee is a private organization, its activity should not be under-estimated as it includes well-known political and trade union leaders. Even more important is the fact that the idea of the atomic pool is getting increasing support and that, in principle, it already enjoys the support of six governments, although it is uncertain, of course, what would be the ultimate form of the institution in which these plans would be realized: whether the Governments will agree to transfer all the authorizations to the Atomic Community, or tend to create an organ which they would jointly control on the basis of balanced mutual relations.

The orientation towards peaceful application of atomic energy is, doubtless a positive fact, as well as the idea to create possibilities with joint efforts and means for the use of atomic energy for industrial purposes. But must this be linked with a restrictive and an essentially bloc inspired conception of integration which, under modern conditions, is not capable of unifying the European peoples, its ideological basis and method of realization not being acceptable to many people? Under these conditions a possible atomic pool could easily be turned into an atomic monopoly of a group of highly developed countries as against others, a monopoly which of all its European characteristics would retain only the label. The symptoms are here, while the methods which will be adopted for the settlement of atomic cooperation problems will depend on the attitude which the Governments will take towards the recommendations of experts and proposals of the Monnet Committee. Parallel with this the agenda will also include the problems of the common market where less radical and restrictive projects may be expected, although here, too, the initial territorial frame has been fixed for the most part, but the methods are more elastic and are being realized gradually, in successive stages.



## ECONOMIC AGREEMENTS WITH THE UNITED STATES

Dr. Milan ALEKSIC

Secretary of the Chamber of Foreign Commerce

THE news that representatives of the American and Yugoslav Governments signed economic agreements in Belgrade on January 19, has aroused a great deal of interest in Yugoslavia. It is generally considered here that this important event in the relations between the two countries will not remain unnoticed in wider international circles.

Good relations between Yugoslavia and the United States, and the strengthening of their friendly ties have been taken throughout the world — with the exception of a small number of people, perhaps — as a firm contribution to the consolidation of international peace. The friendship between our two far-off countries, based on equality and mutual respect, is an encouraging trend in world politics. This friendship is characterized by the fact that it exists between a highly developed country, which is in a position to extend material assistance to others, and a small state, which is in need of such assistance in its endeavours to overcome its economic backwardness. It has been fostered in spite of the differences in their social order, and the signing of the above mentioned agreements will bring still closer cooperation between them.

The scope of the agreements now concluded was determined in October, when Mr. Murphy, American Deputy Secretary of State, was visiting Belgrade. At that time an agreement was reached on the delivery of 300,000 tons of wheat from the American farm surpluses, and now further shipments of these surpluses have been agreed upon — 550,000 tons of wheat, 40,000 tons of lard, 2,000 tons of cotton and 1.5 million dollars worth of tallow. The total value of these deliveries has been estimated at 95 million dollars, and arrangements for a further delivery of 10 million dollars worth of various products are to be made in the near future.

Most of these deliveries will be made on the basis of the Foreign Assistance Law, and only a small part on the basis of a loan for the purchases of farm surpluses. As is known, loans of this kind are granted under very favourable terms — over a period of at least forty years at an annual interest rate of 4% at the most.

The advantage of these loans, the principles of which were set down in the Law on Farm Surpluses, lies in the fact that they are turned into the currency of the recipient countries — into dinars, in our own case — so that their dinar amounts can be accumulated and eventually used for the construction of economic projects. Such projects could produce goods to be exported to the United States, so as to increase the volume of Yugoslav exports.

America began to grant economic assistance to Yugoslavia in July 1951, and the total value of goods delivered until the end of 1955 amounted to about 430 millions dollars. At first American assistance was to be in investment equipment and raw materials for industry. But, owing to exceptional droughts and three bad harvests, this programme had to be considerably changed, so that wheat and fats were shipped to maintain the regular supply of the population. Even so, a large part of the assistance granted was used to purchase cotton, coke, coking coal, raw hides, rolled material, aircraft fuel, tallow, scrap iron, building machines, mining equipment, lorries, tractors and other products that were essential to the Yugoslav economy. In addition to purchases made on the

basis of economic assistance, Yugoslavia buys a great deal of her regular supplies in the United States. These regular imports are more or less in balance with the volume of Yugoslav exports to America. Now, the Yugoslav economy needs many more goods from America, and efforts are being made to increase our exports to that economic area. Accordingly, the increasing of exports to the United States market is one of the primary tasks of the Yugoslav business circles, and they are tackling it energetically, for they are aware of its importance. By increasing the volume of exports to the American market, Yugoslavia could, business circles say, make a contribution to the strengthening of economic and friendly ties with the United States.

Although in 1955 it was impossible to increase the exports of Yugoslav non-ferrous metals such as copper, lead, zinc and aluminium, the total volume of Yugoslav exports to the United States was increased, nevertheless. In 1954 the value of Yugoslav exports to the United States amounted to 22.9 million dollars, and in 1955 it jumped to 26.5 million dollars. This increase was the result of the endeavours of the Yugoslav enterprises to make available for export as much as possible of the articles and products needed by the American economy. Among these products are mercury, ferromanganese, ferrochrome, antimony, barite, sinter-magnesite, cement, finished wood products, small hides, dry fruit, tobacco, hemp, various medicinal herbs, canned products, cheese and so on. The value of each of these products exported to the United States last year amounted to several hundred thousand dollars. However, refined lead, copper, mercury and tobacco remain the chief products which Yugoslavia sells to the United States. The value of lead exports last year amounted to 10 million dollars, of copper exports to 1.3 millions dollars, of mercury exports to 1.3 million dollars and of tobacco exports to 3.5 million dollars.

The total value of Yugoslav exports to the United States last year amounted, as we said above, to 26.5 million dollars, while the value of imports from the United States was 142 million dollars. Of this sum about 108 million dollars were covered by economic assistance, so that the value of our regular imports amounted to about 34 million dollars. As is seen, our imports were considerably greater than our exports to the United States, and we had a trade deficit of about 7.5 million dollars. This deficit was paid by various dollar funds which Yugoslavia receives from non-trade sources, and that was a serious warning to the Yugoslav business circles, which must do everything they can to increase our exports to the United States.

Consequently, the Yugoslav exporters, who are enrolled in the Federal Chamber of Foreign Commerce, were forced to consider how to improve their selling organization in the United States. Now, they plan to open a selling centre which would have two functions: to establish a closer cooperation between all Yugoslav enterprises so as to prepare a greater volume of goods for export to the United States, and to open a commercial bureau in one of the American trading centres, whose task would be to maintain direct connections with the American importers and to sell Yugoslav products in that country.

This idea is ripe, and the newly signed agreements will certainly create good conditions for its realization.



# THE AIMS OF YUGOSLAV ECONOMIC POLICY

Kiro GLIGOROV

A few introductory comments on the fundamental elements of post-war economic development and the changes which took place in production, national income and the social structure of the population during the past ten years are indispensable in order to understand the present problems and difficulties which confront the Yugoslav economic policy.

The new social relations brought about during and after World War II were inevitably based on the material conditions inherited which were characterized by a small volume of industrial output and the dominant role of agricultural production with a low level of labour productivity, which resulted in an average annual national income per capita of about 160 dollars. Perhaps the following data are the most eloquent: 76% of the total population depended on agriculture as a means of livelihood, while industry and mining accounted for only 19% of the aggregate national income. If it is borne in mind that Yugoslavia is well known for its high birth rate (annual population increase 270,000-300,000) it is understandable that the basic problem of post-war development consisted in enabling the creation and promotion of socialist relations by an adequate change of material conditions.

Apart from the difficulties ensuing from the country's inherited economic backwardness, however, there were also favourable circumstances which facilitated a rapid tempo of economic development. In addition to the changes effected in the structure of ownership over the basic means of production (the nationalization of all the more important means of production), the establishment of a uniform financial system through the nationalization of all banks and monetary institutions, thus making possible the concentration of the available resources and their planned expenditure. In this context the variety and abundance of natural resources (mineral and forest wealth, water power etc) should also be mentioned as well as the existence of more developed industrial regions (Slovenia, some parts of Croatia) which served as nuclei for the diffusion of industrial experience and knowhow to the other, mostly undeveloped, parts of the country. The political unity of the country should of course be cited as a particularly favourable circumstance.

The least developed regions (Kosovo-Metohia, Macedonia, Montenegro and Bosnia-Herzegovina) which required the pursuit of an appropriate economic policy enabling rapid progress with the assistance of the entire community, particularly the more advanced parts of the country, represented a special problem of post-war economic development.

Thus on a minor scale, all the problems which beset the world of today also arose on Yugoslav territory, as it was necessary to procure the necessary capital for the economic development of an undeveloped country and ensure harmonious cooperation between the developed and undeveloped regions in the concerted common effort to bring about the most rapid progress possible.

During the past ten years Yugoslavia resolved the problem of capital shortage, which is an inevitable phenomenon in undeveloped countries, by intensive internal capital formation, the maximum mobilization of indigenous resources and by assigning only a secondary role to the engagement of foreign funds. During the past few years foreign credit accounted for only 3.5% of overall Yugoslav expenditure. Although the rate of investment construction is one of the highest in Europe, the Yugoslav foreign debt does not exceed the 400 million dollar level. The magnitude of the home effort can best be gauged in the light of gross investments in the 1947-1955 period which averaged 25-33% of the gross social

product, while the share of investments and national defence expenditure accounted for 45-48% of the aggregate national income. (In the developed countries investment expenditure and defence outlay in the same period averaged about 30%.)

The basic precondition for intensive economic development was fulfilled by the maximum enlistment of indigenous resources and the procurement of foreign credits, to the extent permitted by political and other considerations, thus ensuring the necessary capital for expanded reproduction. The next problem consisted in charting the course of economic development, which is determined by the structure of investments. The following factors provided a reply to this question: a) the structure of Yugoslav natural resources; b) the country's inherited production structure; c) rural over population; d) specific factors in the political position of Yugoslavia which required the advancement of certain branches of economy and the promotion of the regions important for the defence capacity of the country.

The composition of the natural resources necessitated the development of mining and metallurgy and related industries. The abundance of non-ferrous metals and hydro-energy sources already linked to a certain extent by the extractive industries, required the logical and indispensable continuance of the country's natural resources, while laying particular stress on the need to process the greatest possible number of valuable raw materials at home while exporting finished products.

The country's inherited production structure revealed obvious disparities. There was a comparatively developed extractive industry on the one hand, (although showing also a certain lopsidedness in its development, the latter being limited only to copper, lead, bauxite, and non-metals), and a moderately developed manufacturing industry (textiles, food industry, leather and shoe industry) which was unable to satisfy home requirements fully on the other. There was a wide gap between them owing to the total lack of modern machine industry, electric engineering industry, chemical industry, and ferrous metallurgy. Thus for instance only 235,000 tons of steel were produced annually in pre-war Yugoslavia, while the example of copper is still more blatant as, although a major copper producer, Yugoslavia did not produce a single ton of rolled copper products, while the entire output of metal and woodworking machinery amounted to a mere 84 tons annually. Power production, particularly the generation of electric power, was also extremely limited. It was therefore primarily necessary to eliminate these disparities in order to ensure the industrial development foreseen and thus increase the defence capacity of the country for the preservation of its independence.

The agricultural over population was another factor which made it necessary to lay the major stress on industrialization. Before the war about two thirds of the natural population increment remained in agriculture thus leading to the gradual but steady aggravation of this problem. According to some statistical estimates there is still a 1.5 million population surplus in agriculture even after ten years of intensive industrial development. These circumstances resulted in considerably widespread subsistence farming in some regions and a low level of labour productivity. Agricultural progress is linked, inter alia, with the elimination of demographic pressure in rural areas which can only be absorbed by industry and other economic activities. If a policy of industrialization had not been adopted one may well imagine the situation which would have ensued in view of the fact that a population increase of 2,150,000 was registered in the 1954-1955 period.



The following tables illustrate some aspects of the post-war investment policy:

*Structure of Investments per Purpose*

	1947/54	1952	1953	1954	1955 (11 months)
Total investments	100	100	100	100	100
Investments in economy	78,6	92,5	89,4	81,3	85,2
Investments in social standard	17,5	7,5	10,6	18,7	14,8
Unallotted	3,9	—	—	—	—

This table shows that a more natural ratio prevailed in the initial period between the investments directly intended for economy and investments in the standard of living. A rigid course was enforced from 1950 to 1952 aiming at the termination of the economic investments initiated while a more normal ratio between the two categories of investments was restored in 1953. A still greater equilibrium between these two investment groups is foreseen in the coming period, thus rendering the entire economic development more harmonious.

The ratio of industrial and other investments within the framework of over all economic investments also reveals a similar tendency:

*Structure of Investments in Economy*

	1947/54	1952	1953	1954	1955 (11 months)
Total economic investments	100	100	100	100	100
Investments in industry	60,0	70,0	63,3	60,3	55,0

The structure of investments in industry was as follows in the 1947/54 period:

Industry (total)	100
Power industry	35,0
Metallurgy	31,1
Machine building	11,8
Other industrial branches	22,1

The foregoing survey of the volume, trend and structure of investments leads to the following conclusions:

a) the fact that a third of the social gross product was absorbed by these investments inevitably exerted a continuous pressure on the standard of living. It was impossible to ensure the development of the economic basis of post-war Yugoslavia without certain sacrifices on the part of the people, as Yugoslavia was an undeveloped country and hence poor in capital. In view of the natural increase of population and the inherited, demographic pressure a slower rate of development would have aggravated these problems instead of leading to their solution. Thus among several alternatives it was necessary to choose that which would provide a solution to the vicious circle of backwardness in accordance with the natural and other economic and geopolitical conditions.

b) the development of industry enabled the maintenance of a high level of employment, the expansion of the home market and far-reaching changes in the social structure of the population. According to the 1953 census, only 59,3% of the population were directly dependent on agriculture for their subsistence. While the total number of inhabitants rose in 1953 by 21% as compared to the last pre-war census of 1931, farm population declined by 3% while the number of non-rural inhabitants rose by 100%.

c) although such an investment structure enabled the concentration of the resources available in certain sectors of economy in a given period where it was primarily necessary to eliminate the disproportions and overcome the inherited backwardness, it can also constitute a component part of a continuous economic policy owing to its one-sided character, thus inevitably leading to the creation of new disparities and the deterioration of living standards. Such a policy enabled a notable increase of industrial production (if pre-war industrial output = 100, the production index numbers in 1955 = 241), particularly the output of means of production, laid the foundations for the development of entire industrial branches which were formerly non-existent (electric engineering industry, heavy machine building, production of refractory materials). However, parallel with the change of social structure based on high employment levels, this policy necessitated the proportionate advancement of the manufacturing industry, housing construction, agriculture, and an accelerated rate of development of the ancillary service trades.

The substantial investments carried out during the past eight years fundamentally altered the structure of fixed capital and production itself. The value of fixed capital in economy was raised 2,5 times as compared to the pre-war level of output. The share of means of production marked the greatest increase in over all output. Output of the means of production rose 8,5 times in industry, in comparison with the pre-war volume, while the production of industrial consumer goods was only doubled in the mean-

time. One part of the immense funds invested are only beginning to take effect or are still insufficiently utilized as the mastery and introduction of new production techniques inevitably requires a certain lapse of time. The training of industrial staff, the introduction techniques, the application of the industrial experience acquired by the highly industrialized countries with a view to increasing efficiency and labour productivity, are all extensive tasks which confront the Yugoslav industry. The industrial labour force has been more than doubled since before the war, while attention should be called to the fact that the new manpower comes from rural areas and that some time will have to pass until they acquire the habits of industrial workers thus enabling the consolidation of the new factories. If all these circumstances are borne in mind it is clear that the policy adopted, aiming at the maximum utilization of the capital invested, is all too correct.

As stated above, the non-agricultural population has been doubled in the post-war period. By far the greatest part of this increment is accounted for by urban population. In view of a 2,5 million population increase this is a specific factor which indicates the paramount importance of ensuring adequate food supplies. Although the notable outflow of rural population reduced the demographic pressure on land and initiated the process of raising productivity and promotion of market production in agriculture, it also indicated the necessity of ensuring the required food supplies. However the food problem is not the only question entailed by the new social structure. The new social conditions, the incomparably more intensive educational activities, and the improved health and cultural conditions, all resulted in a growing demand for consumer goods both among the rural and urban population, hence necessitating the further advancement of the manufacturing industry.

The large-scale migration from rural areas to urban centres improved the social structure and reduced the population pressure on land. It was noted, however, that a too rapid change of social structure should be avoided, as the notable employing capacity in industry weakens the interest in farm production and delays the progress of agriculture, since it is easier to earn one's livelihood from non-agricultural activities. Apart from this the accommodation of such a steady flow of new city dwellers, the provision of adequate public, health and educational facilities likewise represents a serious problem.

This required the reduction of certain investments (about 20% less than the 1955 volume), particularly the gradual change of investment structure, while alleviating the pressure exerted by investment construction on economy as a whole, and the market in particular, thus charting a gradual course towards stabilization. The increased output of consumer goods is of prime importance in this context which is to be achieved by shifting the stress in investment expenditure to the manufacturing industry and the freeing of one part of the present commodity funds which was absorbed by heavy investments for the requirements of communal and agricultural development.

As already stressed, a fuller utilization of the funds invested is contingent on increased labour productivity per individual worker. The consolidation and subsequent improvement of living standards in the country is one of the conditions for this. The policy of stabilization, the different investment structure and the increase of consumer goods will all lead to the fulfillment of this aim. The increase of the available industrial consumer goods and non-industrial investments will stimulate the peasant to raise production, while the reduction of employment prospects in non-agricultural activities will enhance the importance of agriculture as a means of livelihood, requiring greater attention to be devoted to soil cultivation and increased efforts in this sphere.

The previous boom on the home market, called forth by intensive investment construction was one of the prime reasons underlying the inadequate volume of exports. The home market was in a position to absorb almost all the available goods. Consequently a certain stabilization of the home market will contribute to the increase of the available export surpluses, this being one of the prime objectives of the Yugoslav economic policy.

Needless to say, no one cherishes any illusions in this respect, and Yugoslavia still remains an insufficiently developed country, so that the problem of investments aiming at the achievement of her accelerated economic and social progress will remain relevant for some time to come. In the last phase, however, the stabilization of the market and the promotion of living standards will make possible the utilization of the substantial resources invested, the increase of labour productivity and hence also of the total national income. A higher national income will open further prospects for the absolute increase of investments aiming at the acceleration of economic development, but at a more even rate, both as regards the overall distribution of the national income and a more balanced structure of investments.



# YUGOSLAVIA'S ECONOMIC RELATIONS WITH FOREIGN COUNTRIES

Stane PAVLIČ

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CONSISTENT in its policy of active coexistence, Yugoslavia last year endeavoured further to expand her trade with foreign countries, both in volume and variety. In this she was influenced by:

a) the fact that international economic cooperation is the expression of the need and law of the present-day economic and political situation in the country. The division of labour, the specialization of production, the application of modern technology, the ever growing role of the market and so on, necessitate such cooperation and its further expansion;

b) the fact that the expansion of economic cooperation with foreign countries in suitable forms is the basic condition for a quicker development of all countries; and,

c) the fact that the world economy is a single unity, on account of which Yugoslavia, in her relations with foreign countries, backed up every action towards the removal of artificial barriers to free and unobstructed relations on the world market. Yugoslavia has condemned and will condemn in the future too all attempts at economic isolation and autarky which may isolate this or that country from the world economy, and which are detrimental not only to the unity of the world economy, but, in the end, also to the countries which pursue such a policy.

The forms and the scope of Yugoslavia's economic relations with foreign countries, as well as the characteristics of the instruments which regulate them, are conditioned on the one hand by the degree of our economic development, balance of payments and internal policy and, on the other hand, by the situation on the world market and by international relations in general. In this second aspect, some encouraging trends were noted last year. The easing of world tension exerted a favourable influence on the development of new forms in international economic relations. Yugoslavia's policy was a considerable contribution to the efforts aiming at making the best possible use of the prevailing conditions to expand such relations.

Last year was characterized by good trade and a high level of employment as well as by various state measures in economy. This, without any doubt, was partially due to some non-economic factors, to the armament race in the first place. Yet, the optimism displayed at the beginning of last year was not justified — at least, not in the field of currency convertibility in some of the Western countries. Similarly, the various artificial barriers which obstruct economic cooperation generally, and free exchanges of products particularly, were not wholly removed. Considerable efforts were, it is true, made to lift the obstructions and restrictions in East-West trade, but the results were not satisfactory.

The industrialization of our country, which was achieved through great efforts of our people, considerably changed Yugoslavia's foreign trade structure in 1955. And this, at the same time, made it possible for us to develop other forms of economic cooperation with other countries, particularly in the field of investment activities and of industrial and technical cooperation.

Last year Yugoslavia continued to develop her economic relations with foreign countries mostly on bilateral bases. But, apart from this, Yugoslavia also steadily developed her activities in all international economic organizations and in multilateral arrangements.

## *Bilateral Agreements*

In bilateral economic relations goods exchanges are of the greatest importance. According to available data the volume of

our foreign trade last year was considerably greater than a year ago. Its total value amounted to 203.5 billion dinars, while it was only 174 billion dinars a year ago. Although much of this increase was accounted for by imports under economic assistance, i. e. imports of American farm surpluses, Yugoslavia, contrary to all expectations, increased the volume of her exports from 72 billion dinars in 1954 to 75 billion dinars in 1955. This increase is not great, but it is significant because it was achieved in spite of the fact that the exports of agricultural and food products had to be considerably decreased. Without going into a detailed analysis of the structure of exports and imports, we shall quote here a few figures. The volume of forestry and timber industry products exported last year amounted to 17 billion, of non-ferrous metals to 15.2 billion, of livestock and livestock products to nearly 10 billion, food industry products to 6 billion, textiles to 3.7 billion, tobacco to 4.3 billion, and of chemicals to 2.5 billion dinars. The value of exported iron and steel was 1 billion, of electric instruments and products also 1 billion and of processed metal goods 1.5 billion dinars.

Although the structure of exports was, on the whole, changed to our benefit last year, the results achieved show that further efforts must be made to improve the quality of our products, increase their variety and improve their packing.

Data on imports show that last year we spent over 35 billion dinars on purchases of foodstuffs, nearly 25 billion dinars on raw materials, over 10 billion dinars on fuels and lubricants, and over 30 billion dinars on various transport equipment and cars.

The deficit in Yugoslavia's foreign balance of payments was mostly covered by American assistance. The increases made in our exports of industrial products made it possible for us to decrease our trade deficit as these exports made up for the decrease in the volume of exported agricultural and food articles.

Throughout last year Yugoslavia endeavoured to expand her economic relations, particularly goods exchanges, with all countries. In that period we maintained regular trade exchanges with about 60 countries, and we had trade and payments agreements with 40 of them.

As far as the sources of Yugoslavia's imports and the destination of her exports are concerned, there were certain changes last year. The economic interest of trade, which should be decisive, came last year to greater expression than in any previous year. This is proved by the fact that we then maintained, relatively, the most regular trade exchanges in the post-war period. But the movement of exports and imports was last year, too, determined by definite factors which weakened the influence of the economic interest in as far as individual articles, and their supply and demand were concerned. Among these factors we must include the repayment of our debts, which considerably influence the volume of our trade with individual countries. The poor knowledge of foreign markets and the organizational weaknesses of our foreign commercial enterprises, as well as the quality of our products, also influenced the distribution of our foreign trade last year.

The foreign currency regulations and their changes last year had also some effect on the determination of the fundamental movements of our trade. It has been shown that these regulations do not always pay due attention to all the matters which are decisive in deciding the movement of individual products. How important the instruments prescribed by our foreign currency regulations can be was best shown by our exports in last December, when the post-war monthly record was set owing to the stimulus given to the producers and exporters by the new currency regulations.



Last year Italy was our best customer. She imported from our country 11.5 billion dinars worth of goods, or 16% of the total volume of our exports. Our next best customer was Western Germany, which consumed almost 10 billion dinars worth of our products, or about 13.5% of all our exports. The third best buyer of our goods was the United States, which bought nearly 8 billion dinars worth of goods in our country, i.e. about 10.7% of the total volume of products we sold to foreign countries. The greatest decrease was made in our exports to Turkey which last year bought less than 3 billion dinars worth of our products, while in 1953 she imported from our country as much as 10 billion dinars worth of goods.

Similarly, last year we bought most goods from Western Germany, i.e. for 16.5 billion dinars, or 12.7% of all our imports, and from Italy 13 billions or 10% of the total volume of our imports. The imports from the United States, the value of which amounted to about 43 billion dinars (39% of all our imports), were the result of the economic assistance which that country granted to us. The movement of our last year's exports to different continents did not undergo any appreciable changes in relation to 1954; Europe consumed 76.4% of our exports, against 79.8% the year before. Last year 14% of our European exports went to the countries of Eastern Europe. North and South America absorbed 16.3% of our exports, against 14.1% the year before. Asia and Africa consumed 7.2% of our exports in 1955 and 6.1% in 1954.

Our imports from different continents last year were more or less in balance with our exports to them. Europe supplied 51.4% of all our imports, against 59.4% the year before. From America we imported 37.3% of our foreign supplies, against 34.3% the year before. Likewise, we increased our imports from Asia and Africa which supplied 5.8% of our needs from abroad in 1954 and 8.6% in 1955.

Of great importance for the movement of our trade last year was the normalization of our economic relations with the East European countries. How favourable are the opportunities for trade between our country and the countries of Eastern Europe is shown by the fact that last year we not only realized, to a great extent, the contracted yearly trade, but had to expand the scope of the agreements we had concluded with some of the countries in that area. The agreements now concluded with the Soviet Union, Poland and Albania for 1956 provide for further increases in our mutual trade. Tendencies to increase trade with our country are also being displayed by other East European countries. Negotiations for new agreements are now in progress with Czechoslovakia and Bulgaria. We must say that the structure of imports and exports determined by the agreements with the East European countries, particularly with the Soviet Union, are very favourable.

On the other hand, our exports to a majority of the West European countries were liberalized to a great extent, although our country is not a member of the OEEC. It was upon the degree of liberalization in trade with our country that the volume of our exports to their market depended. If an acceptable solution for a partial transfer of the available clearance funds within the OEEC is found, it would lead to still greater exchanges between Yugoslavia and the countries of Western Europe.

Several investment and credit agreements concluded last year were the result of Yugoslavia's intensive activities in her relations with foreign countries. The most important of these agreements was the general Protocol which was signed on September 1 with the Soviet Union and which found its concrete formulation in a separate agreement signed in January this year. Under this agreement the Soviet Union undertook to build in cooperation with our enterprises several important projects in Yugoslavia, such as an artificial fertilizer plant, a superphosphate factory, and some thermo-power generating plants, as well as to reconstruct several mines and so on. Now, there are possibilities for cooperation under the Moscow Protocol. The construction of these projects will, in the first place, reduce Yugoslavia's dependence on foreign countries for artificial fertilizers.

The investment and credit agreement which was signed with Poland last November makes it possible for Yugoslavia to purchase various kinds of industrial equipment and installations up to the value of 20 million dollars. Negotiations with Italy were under way last year for the conclusion of an agreement to purchase various investment goods in the value of 60 million dollars, of which 45 million dollars were to be credited by Italy. Owing to Italy's insistence that this question should be solved simultaneously with the signing of an Italo-Yugoslav agreement on fishing in the Adriatic, no agreement was reached, although Yugoslavia displayed a great deal of goodwill. This failure to negotiate the proposed agreement goes against the interests of the Italian industry in the

Yugoslav market, as well as against our wish to expand economic cooperation between our two countries.

Investment and credit agreements, unlike trade, link the economies of countries for longer periods. They bring about closer ties than the ordinary buying and selling of goods.

The regulating of financial matters and claims was an important activity in the economic field last year. It is known that, owing to the normalization of our relations with the Soviet Union, our mutual claims were liquidated, and the Soviet Union cancelled our earlier debts amounting to something over 90 million dollars. Towards the end of the year, the outstanding financial matters between our country and Poland and Rumania were also settled, while talks with Hungary on similar matters were broken off. Now talks on outstanding financial matters are in progress with Czechoslovakia.

The greatest difficulties were encountered last year over our financial claims on Western Germany. Our public was well acquainted with the essence of these claims and with the course of the negotiations that took place with German representatives. Owing to the failure of these negotiations, our economic cooperation with Western Germany was being retarded. Now, we are convinced that the present negotiations, which were broken off and resumed three times, will lead to a favourable settlement of the matter, for eleven years have passed since the end of the war and two years since they were first started. The plan to use the sum which will finally be agreed upon for purchasing equipment for industrial projects, and, to a smaller extent, for the purchase of industrial consumer goods, will be the basis for the future expansion of our mutual cooperation in the economic field.

The regulating of our financial obligations, i.e. the conversion of our medium-term debts, was yet another important activity of our country last year. Of our total obligations, which amount to 400 million dollars, 42% are the so-called medium term debts, which were mostly incurred in the period from 1950 to 1952 through purchases of investment goods in the countries of Western Europe. These purchases were made at a time when our country was in a very difficult situation — the economic blockade, droughts — and when the international situation had reached an alarming stage — the Korean war — so that Yugoslavia had to accept the terms dictated by her creditors, terms which were unfavourable to our country, both in prices and terms of payments. These credits have since been a heavy burden on our balance of payments, so that in 1953 and 1954 already we approached a partial revision of our medium term obligations to some of the creditor countries. However, this improvement of the terms of payment of our debts was not satisfactory, and, as a result, new negotiations were started with Great Britain at the end of last year and with Western Germany a few days ago, for these two countries are our chief creditors as far as medium term debts are concerned. We owe them something over 100 million dollars. In addition to these two countries, we have medium term debts in Belgium, France, Austria, Switzerland and Japan.

Economic assistance played a great role in our economic relations last year. It is known that in the 1954/1955 economic year the Government of the United States, Great Britain and France granted to Yugoslavia, for the last time, the so-called tripartite assistance in the value of 151.1 million dollars, of which almost 142 million dollars was given by the Government of the United States alone. Last year saw the realization of this assistance, for it was granted towards the end of 1954, that is at the beginning of 1955. Under the relevant programme we imported mostly wheat, but also certain quantities of coking coal, artificial fertilizers, cotton, tallow and so on from the United States, agricultural equipment and hydro-power plants from Great Britain, and equipment for the advancement of vine growing, fishing and some raw materials from France.

In the 1955/56 economic year only the United States granted us economic assistance, and so the tripartite assistance ceased. A few days ago an agreement was signed by the Governments of Yugoslavia and the United States under which our country will receive regular assistance amounting to the value of 34 million dollars, mainly for the purchase of wheat, coking coal, tyres, tallow, equipment for the construction of the Adriatic road and so on. At the same time, an agreement on the purchase of farm surpluses was also signed, under which Yugoslavia will receive 850,000 tons of wheat and 22,000 tons of cotton. The total value of both the regular assistance and the assistance granted under the Law on Farm Surpluses amounts to 95 million dollars. At present talks are in progress for additional shipments of goods in the value of 10 million dollars. Most of this assistance is granted as a gift, part of it is given in the form of long term loans, and the rest is to cover the expenses of the American Embassy in Belgrade. These



long term loans in dinars are a new thing which now expands the basis for economic cooperation between Yugoslavia and the United States. The Law on Farm Surpluses provides for various forms of export of agricultural products, including free of charge deliveries and deliveries on the basis of long term loans in the national currency of the country to which they are sent. Since we shall have to import such products for a number of years, and since America now finds it difficult to sell them abroad, it would be in the interest of both countries if an agreement which would regulate this matter for a longer period were signed, for such an agreement would have a favourable effect on the stabilization of our market and on the strengthening of our mutual relations.

Technical cooperation, i. e. exchanges of technical knowhow, industrial collaboration, the training of technicians and so on, is becoming an increasingly more important form of international economic relations. This kind of cooperation can considerably improve our industrial and agricultural production, which would make it possible to increase our trade exchanges with foreign countries. In 1955 a series of inter-state arrangements were concluded on a reciprocal basis, under which Yugoslavia both receives and grants technical assistance. Some of these arrangements provide for the formation of special funds for the financing of such assistance. Owing to the special significance of technical cooperation, these arrangements were, on the whole, concluded for a period of five years, with a provision for their extension. We are all aware of the importance of the agreements on technical cooperation we concluded last year with France, which provide for the possibility of joint action on foreign markets and which give great attention to industrial collaboration. Agreements on technical cooperation were also concluded with the Soviet Union, Poland and so on. All these agreements provide for the forming of special mixed commissions which will work, as permanent organs, and supervise the implementation of the provisions of these agreements as well as seek new forms of technical cooperation. Representatives of our Federal Chambers of industry and agriculture will sit in such commissions.

Yugoslavia was very active last year in the field of technical cooperation. She extended technical assistance to Ethiopia, Egypt, Burma etc. Now talks are in progress with Czechoslovakia, Italy and Austria for the regulation of technical cooperation.

We were very active in the field of transport last year. Several international agreements on air, rail and road transport, as well as on postal and telegraph services were concluded.

#### *Multilateral Agreements*

Similarly, we were very active in international economic organizations, and in the solving of problems of various multilateral actions. The easing of world tension created new possibilities for successful tackling of various disputes through the existing international organizations. Although international cooperation has not yet assumed a universal character, it is nevertheless acquiring a growing significance, particularly in the United Nations and its agencies. For this Organization has given a great deal of attention to the problems of international financing, to the problems of economic assistance to backward countries and so on. Yugoslavia, as a socialist country, too, gives her special care to these problems. She is now among those states which were the initiators of the proposal for the forming of a special fund through which the economic development in backward countries would be speeded up. Without international assistance to underdeveloped countries, world trade cannot be increased to any appreciable extent, and the effective functioning of such a fund would be not only in the interest of the backward regions of the world but also in the interest of the world economy as a whole. Economic solidarity is becoming an essential element of world politics. It is impossible to contemplate the further raising of the standard of living in the developed countries without doing anything for the prosperity of the underdeveloped areas, because the poverty of one region cannot but obstruct the advance of the others.

Yugoslavia has always been in favour of all round economic cooperation in the world without any discrimination. Economic stability in the world cannot be achieved without undertaking concrete actions for the elimination of differences in the economic development of individual countries.

In the United Nations and its various organs Yugoslavia endeavoured last year to contribute to the efforts to achieve the highest possible level of employment, to advance public international financing, to abolish various restrictions in international trade, to introduce control over the activities of monopoly trusts — generally, to the efforts to stabilize the world economy. As regards the specialized agencies Yugoslavia developed her greatest activity in FAO, ILO, the INF and GATT (the General Agreement on

Tariffs and Trade, a temporary body which will work until a permanent organisation for trade and tariffs is formed).

The European Economic Commission is a regional organ of the United Nations Economic and Social Council. Our press carefully followed and reported our work in this organization, both in its spring and autumn sessions in Geneva. At these sessions the Yugoslav delegation rose against the bloc politics and its detrimental consequences for the development of the countries of Europe. Yugoslavia devoted her special attention to the removal of the obstacles to the economic relations between the East and the West. She took important initiatives in the Commission for Southern Europe which had been organized by the European Economic Commission so as to find ways and means to speed up economic development in four South-European countries — Yugoslavia, Italy, Greece and Turkey. And now the Commission for Southern Europe is continuing its work. Similarly, the "Yugelexport", as a special committee of the European Economic Commission, is going on with its work on the study for the construction of hydropower generating plants which would be of special importance for Yugoslavia, Austria, Italy and Western Germany.

The re-election of Yugoslavia to the Economic and Social Council — the highest United Nations organ for economic and social problems — was one more acknowledgement of Yugoslavia's successful work and endeavours in these fields, in which she was particularly active last year.

Last year Yugoslavia began to develop her activities also in the West European economic organization — OEEC. Sending a permanent observer to this organization, attaching a special bureau to it and taking an active part in its vertical and horizontal committees, Yugoslavia came in a position to use partially the advantages this organization offers, as well as to explain her economic problems, particularly those which she encounters in expanding her economic relations with the 18 West European countries which are its members. This cooperation is of great importance to our country, because we are bound to cooperate with the countries of Western Europe, both in the field of trade and in the field of technical cooperation, investment credits and so on.

Our cooperation in the OEEC creates possibilities for transforming gradually the bilateral arrangements which regulate our relations with individual countries of Western Europe into multilateral instruments. The liberalization of trade between Yugoslavia and the West European countries was the first step in this direction. A possibility to transfer some of the funds which are at Yugoslavia's disposal at clearing houses and in her bilateral trade with individual countries would not only speed up this process, but would also link Yugoslavia closer to the economy of Western Europe, since that would facilitate greater exports of Yugoslav products to the West European markets and, at the same time, provide us with funds for additional purchases in Western Europe.

In September last year we joined the European Conference of Transport Ministers, i. e. the organization whose task is to co-ordinate efforts so as to rationalize and improve European communications. Within this organization we signed a convention on the forming of EVROFIRM, an international corporation for the financing of purchases of rail cars and materials. In addition we participated in the forming of the International Road Fund, an organization which will finance the construction of roads which are of international importance.

Last year we were very active also in developing contacts between our business people, i. e. our economy and the economies of other countries. Our country was visited by high level delegations from various countries, which were often led by ministers of industry or trade, as it was the case with the delegations of Burma, Egypt, the USSR, Poland, Hungary, Italy and so on. In the course of last year Yugoslavia participated in a number of international fairs, among which the 50th Jubilee Fair of Zagreb was of special importance. Several Yugoslav economic delegations visited foreign countries. All this helped to increase international understanding and to acquaint the foreign world with the achievements of the Yugoslav industry, which is not yet well known in foreign markets. The same aim is served by the forming of mixed chambers, such as the Italo-Yugoslav mixed commissions, the Austro-Yugoslav mixed committees and so on.

The activities of Yugoslavia in the economic field, which were briefly outlined in this article, will contribute to the effective fulfilling of the tasks which face our country this year. There are chances that the planned exports for this year, the value of which is 13 million dinars i. e. 17% higher, than last year, will be realized. With the realization of these plans our country will take further steps towards the liquidation of the deficit in our balance of payments. And the increasing of our exports will create possibilities for still better and new forms of economic cooperation with other countries.



# THE ART OF CHARLIE CHAPLIN

Ljubomir RADIČEVIĆ

IN connexion with the current film season which marks a jubilee for Charlie Chaplin, doubtless the most popular actor in the world „the only true genius in the film art“ (Bernard Shaw), „the ingenious clown in whom the Twentieth Century recognized itself“ — the Yugoslav Film Library gave us the opportunity of seeing the Charlie of old times again.

Half a century has elapsed since Chaplin's debut on the London stage as a member of Fred Karno's touring company. But Chaplin is still an active creator in his sixty-fifth year, although rumours are circulating again of his definite retirement from the screen. He recently announced his intention of shooting only one more film, and when asked whether this will be his farewell, he replied that it is difficult to speak of the future.

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Many thoughts, feelings and memories are evoked by the appearance of the man, in the baggy and threadbare trousers with the bent bamboo cane and worn shoes, and the sight of his awkward and eccentric figure. Strange are the feelings called forth by those optimistic pictures of pessimism and pessimist pictures of optimism, that flimsy portrait of the „little man“ and his tragic conflict with society and men, evoked by the 50 year life film of Charlie Chaplin. They are not wonderfully attractive or invested with the magic power of evoking a strange mood in which it seems that we are laughing both at ourselves and others, because they are full of Chaplinesque clowning, and because his comic effects are always the same, but because the „Leitmotiv“ in Charlie Chaplin's art is always the quest of happiness, the theme of the „little man“ oppressed and tortured by the hardships of life. This is what makes these pictures accessible and dear to people of all races and colors. Chaplin's humanism expressed in a specific and at the same time universal manner, emanates from every film he made. Many studies have been written on Chaplin, some say as much as on Shakespeare, in which it was stressed that the greatness and significance of his art lies precisely in the eternal human theme consisting of the quest for happiness, the struggle for a better life...

\* \* \*

We do not know what Chaplin stated apropos of his last birthday and golden jubilee, but we know what he said when celebrating his thirtieth birthday: „I am only now a man“; At forty: „Now I begin to live“; At fifty-seven: „I would not change with anyone“. We also know that in his last, „Limelight“ he said, using his hero, the aging comedian Calvert, as his mouthpiece: „Time is the greatest genius as an author“.

Contemplating the yellowed photographs of Chaplin's short farces from 1916 and 1917, one may well ask the following question: are not these brief farces the best Chaplin ever did, are they not the quintessence of all that followed? But here we hesitate; they are certainly the nucleus, but this nucleus is all the more valuable because of all that Chaplin subsequently added, of all that developed from them later on? In these one-act sequences Charlie is a fully defined and complete personage. Only it would seem that the great number of puns in these one-act jokes overshadows the essence and the real comic character of awkward Charlie himself. It was only in the „Little Boy“, „Goldrush“, „The Circus“, and later in „City Lights“, „Modern Times“ and last in the decisive

„The Great Dictator“, that Chaplin's humanism and his attitude toward man and society was revealed in its own clear light. In these broadly conceived works, in these „comic novels“ shot on two or three thousand meters of film, Chaplin developed his theme to full expression, to its climax. This theme dominated in all his films until some time ago...

Perhaps one should have said at once with regret: Charlie is no more! Had not Chaplin cast off his traditional appearance in „Monsieur Verdoux“ and „Limelight“? Does this mean that Chaplin no longer intends to remain the Charlie we all know and love so well? Should „The Great Dictator“ be considered not only as his reconciliation with the sound film, but also as the first intimation of Charlie's death? How should one explain Charlie's metamorphosis, whether as „new armour for new battles“, or as the betrayal of the „little man“ who lurked behind Charlie's comic figure?

These and many other questions concerning Chaplin in his new guise may be asked, but only Charlie Chaplin can provide the answer. And he will reply, he has already given the first hints! We do not deem it expedient to make forecasts and conclusions on the new Chaplin at a time when Charlie is speaking for himself and wishes to do so, when he is continuing along the road charted in „The Great Dictator“, that vehement, passionate protest against the oppressors of freedom. Let us have a little more patience. And let us wait until we see his next film at least. Because the changes we have seen since Charlie cast off his bamboo cane and all the other paraphernalia linked with this symbol are not sufficient for an argued discussion of Chaplin's intentions and aims. Or are we perhaps mistaken?

Chaplin said recently: „I am not a political worker. I do not take part in any politics. I do not belong to any political organization. I am an artist, an individualist, perhaps I could be called a liberal. But I know very well that the road on which some people wish to drive the world is sheer madness, as it can lead to general war and the complete ruin of the human spirit. If we want to avoid a catastrophe, we must try by common effort to understand the essence of the problems called forth by differences of view between nations and eliminate them by means of negotiations. Such an agreement should be negotiated as would enable every people to live according to its habits and wishes, while restoring the sense of human dignity and the feeling of solidarity of man for his fellow man...“

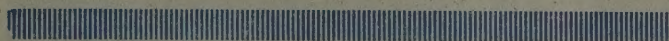
\* \* \*

Charlie, Charlot, Carlitos... he has so many names on all geographic latitudes and longitudes. Every film he made was seen by over three million people. He was compared to Cervantes' Don Quixote, Shakespeare's Falstaff, Homer's Odisey. But Chaplin has no model in literature or history. He never copied anyone. „The art of invention, that is Chaplin; the art of imitation everyone else“, said a witty Frenchman. And Theodore Hufte, Chaplin's biographer, perhaps made the most accurate forecast of the future of Chaplin's wonderful art of comic tragedy and tragic comedy when he said: Chaplin's films will be shown until they are worn out.

And even when the celluloid reel is reduced to shreds will Charlie's art survive, because Charlie lives and will always live among us and within us.



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